

A Meeting of the Board of Directors of the Suffolk Regional Off-Track Betting Corporation was held on June 26, 2014 at 10 A.M. at Corporate Headquarters, 5 Davids Drive, Hauppauge, New York.

The following persons were present:

Dominick P. Feeney	Chairman
Eddie S. Wynn	Secretary
Philip C. Nolan	President
Anthony Pancella III	Vice President
James McManmon	General Counsel
Thomas Kilmartin	Budget Director
Kevin Snover	Counsel to the Board of Directors
Paulette L. Moses	Corresponding Secretary to the Board

Also Present:

Lorraine Pappas	Deputy Chief of Staff
Kim Edelstein	Director of Wagering Operations and Customer Service
John Luquer	Executive Director Corporate Facilities

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The Meeting was called to order by Chairman Feeney at 10:00 A.M.

**ITEM #1      APPROVAL OF MINUTES OF THE BOARD OF DIRECTORS**

**MEETING MAY 13, 2014**

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors' Meeting of May 13, 2014 whereupon a motion that those minutes be approved was made by Chairman Feeney, seconded by Secretary Wynn and carried unanimously.

**ITEM #2      APPROVAL OF MINUTES OF THE BOARD OF DIRECTORS**

**MEETING MAY 29, 2014**

Chairman Feeney stated that the first item on the Agenda was to approve the Minutes of the Board of Directors' Meeting of May 29, 2014 whereupon a motion that those minutes be approved was made by Chairman Feeney, seconded by Secretary Wynn and carried unanimously.

**ITEM #3      MAY 2014 HANDLE REPORT**

Thomas Kilmartin, Budget Director reported the analysis of the May 2014 handle report of the month of May was down \$ 30,081 or 0.3% from May 2013. The year to date handle through May 2014 was down \$ 2,373,392 or 5.2% from the same period in 2013. The May handle was up as compared to projected handle by \$1,468,749 or 14.0%, mainly because the Sunrise branch which was originally projected to close in early March remained open through the Belmont Stakes. The year to date handle through May was also up as compared to projected handle by \$ 1,630,339 or 3.9% for the same reason.

The total number of QwikBetz operations as of May 31<sup>th</sup> was 31, not including the Jon Thomas Inne. There is one new QwikBetz location opening in June, 50% Off Card Land, located in Bohemia. A "soft" opening was scheduled for June 24, 2014, but their TV monitors were not set up with Cablevision on that day. We are hoping that the issue is fixed for their Grand Opening on June 28, 2014. One more location has been approved by the Gaming Commission, 50 Yard Line Sports Bar, in West Babylon, which will open by the end of this

month or early next month. We are waiting on approval from the Gaming Commission for Harbor Crab located in Patchogue. The total QWIKBetz handle was up \$38,353 or 2.9% for the month, in spite of the loss of \$146,692 or 100% at Jon Thomas Inne as a result of a fire related closure on December 14, 2013. There is a decrease of \$98,900 or 58.8% at Jimmy's Pub as a result of the death of one large bettor in November 2013. Bapa Cards & Gifts did phenomenally well, as did Biddy Spratt's and Savino's for the month. The total QWIKBetz handle was up \$ 94,465 or 2.1% year to date. The same three locations just mentioned also have very good year to date totals.

Internet wagering was up \$151,022 or 15.8% for the month, and \$ 594,843 or 17.1% year to date. Telephone wagering was up \$65,519 or 6.4% for the month, but continues to be down \$249,198 or 6.2% year to date. The Racing Forum's handle was up \$169,913 or 5.1% for the month, but is down \$354,238 or 2.8% year to date. The six regular branch locations' total handle was down \$454,888 or 8.5% for the month, with Sunrise having both the largest dollar decrease of \$200,088 and the largest percentage decrease of 15.4%. Commack was up by \$14,279 or 2.2%. The six regular branch locations' total handle was down approximately 2.4 million or 11.6% year to date, with Sunrise having the largest dollar decrease \$702,782 or 13.7%, and Shirley having the largest percent decrease \$435,350 or 15.1%.

QwikBetz handle increased from 11.2% of total handle for May 2013 to 11.5% for May 2014. Internet wagering increased from 8.0% of total handle for May 2013 to 9.2% for May 2014. Telephone Wagering increased from 8.5% of total handle for May 2013 to 9.1% for May

2014. Racing Forum handle increased from 27.6% of total handle for May 2013 to 29.1% for May 2014.

Regular branch handle decreased from 44.8% of total handle for May 2013 to 41.1% for May 2014. Year to date, Qwik Bet handle increased from 9.7% of total handle for May 2013 to 10.5% for May 2014. Year to date, Internet wagering increased from 7.5% of total handle for May 2013 to 9.3% for May 2014. Year to date Telephone wagering decreased from 8.8% of total handle in 2013 to 8.7% in 2014. Year to date Racing Forum increased from 27.7% of total handle in 2013 to 28.4% in 2014. Year to date Regular branch decreased from 46.3% of total handle in 2013 to 43.2% in 2014.

Belmont handle was down \$87,047 or 2.3%, with the same amount of race days. The average handle per day decreased \$3,785 or 2.3%. Finger Lakes handle was down \$29,134 or 9.9% with one less racing day than last year. In-state harness handle was down \$70,386 or 12.7%. Monticello's handle was down \$52,026 or 29.2%, with one less race day at 16. Saratoga Harness handle increased \$9,334 or 20.7% with one more race day at 19. Vernon was the second track in this category with an increase of \$4,016 or 261.6% with seven more race days at 15. Yonkers handle was down \$24,743 or 8.3%, with one more race day 23 versus 22 days. The average per day for Yonkers decreased \$1,666 or 12.3%. Total out of state thoroughbred handle was up \$222,391 or 3.5%. The largest total dollar increase came from Gulfstream of \$425,159, and Santa Anita of \$481,410 with racing days this year which they did not have last year. The reported Kentucky Derby handle and the Preakness handle include racing for the entire day at each track. Total Kentucky Derby handle including futures,

the special double, and the pick three was down \$52,210 or 3.0%. Combined Preakness handle was slightly up by \$1,142 or 0.1%. Out of state harness handle was down \$65,906 or 6.6%. Harrah's Philadelphia, Chester Downs had the largest total dollar decrease, at \$34,751 or 28.8%. Their daily average also decreased 25.0%. Western Fair also had a large decrease, \$22,550 or 51.1%, with one less racing day 17 versus 18. However, there were several increases, most notably Meadowlands and the Meadows, with a total increase of 19,466 or 10.8% and \$19,534 or 24.5% respectively. The Meadows also had an increase in the daily average of \$1,238 or 31.0%.

Statewide OTB Handle decreased \$2,274,263 or 3.2% for the month. Every region had a decrease, with the smallest being Western at 0.2% and the largest being Nassau at 6.8%. We had the 2<sup>nd</sup> smallest decrease in both dollars of \$30,081 and a percentage of 0.3%. Overall statewide year to date OTB handle is down approximately \$24 million or 8.4%. Year to Date handle through May decreased in every region, from a low of 5.2% for Suffolk to a high of 12.2% for the Catskill Region. We still have the smallest year to date decrease in both dollars and percentage.

We had a great Belmont day; the total handle for the day was \$2,205,491, which actually exceeded total handle on Kentucky Derby Day by \$85,698 or 4%. The total handle for Belmont Day last year was \$1,757,565, an increase of \$447,927 or 25.5%. As a result, as of Tuesday, June 24<sup>th</sup> handle is down \$341,735 or 4.1% from last year, due to the closing of the Sunrise branch effective June 9, 2014.

#### **ITEM #4      PRESIDENT'S REPORT**

President Nolan stated that we continue to advance with the multi-faceted VLT project, with the most recent development being the site selection for the facility. There are many details that come up daily with several parties involved, the Creditors Committee, Delaware North Company, real estate companies and the owner of the property we are pursuing. We have taken a step to secure the property through submission by Delaware North of payment with an option to purchase the property. This is a big deal and once this occurs our financial operation in relation to Gates Capital Corporation becomes much more defined. This will enable Gates Capital to go to the market place with the location of the facility, some construction documents and the budget. The investors will have more information to analyze and with which to make decisions. We are diligently sending out checklists of information in the hopes that we will have an answer from Gates Capital within a month. At that point they will be able to submit a "Letter of Certainty" that will put together the bond offering and have people buying the bonds. This is our plan at this time; however, we do have a backup plan if needed.

Mr. Nolan stated that the launch of the VLT facility is imperative to our future as we have discussed in the past and we are focusing all our efforts at this point to achieve the opening and look forward to our new success.

**ITEM #5      VICE PRESIDENT'S REPORT**

Vice President Pancella reported that SROTB retained Colliers Real Estate Brokers to put our headquarters building on the market. Part of our plan is to move headquarters into the new facility. We have an appraisal of the building on file from a few years back of 1.8 million dollars. We already have had an offer of 2.2 million and Colliers believes that the number could get up to 2.4 million. We are looking to lease the building back at a very attractive rate of \$8-9 a square foot range for a year with an option of a few more months to building the facility. We have discussed moving the print shop to our Commack location that has a burdensome lease that we could make better use of by multi-use of the building. The landlord has agreed to this option. We are looking to consolidate Suffolk OTB to the one site at the VLT location and this will be incorporated in the plans going forward.

Vice President Pancella reported that the Sunrise branch is now closed; we moved the date back so that we could take the Triple Crown races, and this was our second busiest branch. Jack Luquer and his crew were pressed for time after the Belmont Stakes to move us out within a matter of days, which they achieved successfully. Having pushed the move back enables us to inform all our customers to go to the other branches. We have already seen increases in Commack and Route 110, and Forum as reflected in the handle report.

Counsel McManmon asked that the Board consider going into Executive Session to discuss the Bankruptcy. A motion was made by Chairman Feeney that the Board go into Executive Session. The motion was seconded by Secretary Wynn and carried unanimously.

Upon reconvening in Open Session, Counsel McManmon stated that during Executive Session certain personnel and litigation matters were discussed. No motions were made and no votes were taken.

Chairman Feeney noted that the next meeting of the Board of Directors will be held Thursday July 24, 2014 at 10 am.

There being no further business before the Board, a motion was made by Chairman Feeney that the meeting be adjourned. The motion was seconded by Secretary Wynn and carried unanimously.

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Eddie S. Wynn, Secretary